

Message Text

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ACTION ARA-10

INFO OCT-01 AF-10 EUR-12 EA-07 NEA-10 ISO-00 TRSE-00
H-01 AID-05 CIAE-00 COME-00 EB-07 FRB-03 INR-07
NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02 LAB-04
EPG-02 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01
PA-01 PRS-01 DHA-02 IO-13 OIC-02 /138 W
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P 022143Z JUN 77

FM AMEMBASSY GUATEMALA
TO SECSTATE WASHDC PRIORITY 6265
AMEMBASSY ABIDJAN PRIORITY
AMEMBASSY BELGRADE
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY HELSINKI
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MANILA
AMEMBASSY OTTAWA
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DEPT PASS ALL LATIN AMERICAN REPUBLIC DIPLOMATIC POSTS PRIORITY

ABIDJAN FOR M. HENNESEY, MANILA FOR USADV FROM USDEL IDB
ANNUAL MEETING

E.O. 11652: N/A

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TAGS: OCON, EFIN, IDB
SUBJ: IDB ANNUAL MEETING

1. SUMMARY: 18TH ANNUAL MEETING OF IDB BOARD OF GOVERNORS HELD
GUATEMALA CITY MAY 30-JUNE 1, 1977. USDEL LED BY TREASURY SEC
BLUMENTHAL AND INCLUDED CONGRESSMEN BADILLO (D-NY), BROWN (R-MICH),
WILSON (D-TEXAS), CONTE (R-MASS), CEDERBERG (R-MICH), AND STARK

(D-CALIF). SECRETARY BLUMENTHAL, IN BOTH FORMAL SPEECH AND BILATERALS, EMPHASIZED CARTER ADMINISTRATION'S COMMITMENT TO IDB PROGRAMS AND ECONOMIC AND SOCIAL PROGRESS OF LATIN AMERICAN AND CARIBBEAN MEMBER COUNTRIES. SECRETARY ALSO STRESSED IMPORTANCE OF HUMAN RIGHTS AND CONCERN ABOUT BANK'S ADMINISTRATIVE EXPENSES, INCLUDING POSSIBLE INCREASE IN EXECUTIVE DIRECTORS' SALARIES. OTHER GOVERNORS REACTED FAVORABLY TO POSITIVE TONE OF SECRETARY'S SPEECH. IN SUBSTANTIVE BUSINESS OF SESSIONS, GOVERNORS AGREED TO (1) STUDY QUESTION OF CARIBBEAN DIRECTORSHIP, WITH BROADER QUESTION OF OVER-ALL BOARD MEMBERSHIP TO BE STUDIED SUBSEQUENTLY. (2) ACCEPT BOARD OF DIRECTORS REPORT ON OPERATING POLICIES OF BANK. PROPOSAL TO INCREASE ED'S SALARIES DETERRED BY SECRETARY'S STATEMENT ON MATTER AT HEADS OF DELEGATION PRELIMINARY SESSION AND LOBBY EFFORT BY USDEL. OPENING SESSION OF MEETING INCLUDED READING OF "MANIFESTO" CRITICAL OF GOVERNMENTS OF EL SALVADOR AND GUATEMALA AND BANK'S LENDING PROGRAM BY "POOR PEOPLES GUERILLA ARMY" WHO HELD AND LATER RELEASED UNHARMED EL SALVADOR AMBASSADOR TO GUATEMALA.

2. IN FORMAL STATEMENT DELIVERED MAY 30, SECRETARY BLUMENTHAL EMPHASIZED CARTER ADMINISTRATION'S COMMITMENT TO BANK AND REGION. HE STRESSED IMPORTANCE OF HUMAN RIGHTS AND INVITED OTHER GOVERNMENTS TO SHARE VIEWS ON THIS MATTER. HE URGED BANK MANAGEMENT TO BE MORE COST-EFFECTIVE AND EFFICIENT, INCLUDING EXERCISE OF STRICTER CONTROL OF SALARIES. ON OPERATIONAL MATTERS, SECRETARY ASKED THAT BANK: RENEW CONSIDERATION OF ITS ROLE IN REGIONAL INTEGRATION PROCESS; STRESS DEVELOPMENT OF ENERGY RESOURCES FOR INTERNAL NEEDS; LIMITED OFFICIAL USE

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INCREASE SUPPORT FOR PRIVATE SECTOR, INCLUDING CONSIDERATION FOR EQUITY FINANCING; AND CHANNEL MORE RESOURCES TO SMALL PRIVATE GROUPS SUCH AS CREDIT UNIONS AND SAVINGS AND LOANS ASSOCIATIONS.

3. IN GENERAL, SPEECH WELL RECEIVED BY MEETING. REGIONAL GOVERNORS CALLED IT ESPECIALLY POSITIVE STATEMENT OF U.S. GOVERNMENT SUPPORT, AND WERE PLEASED THAT SECRETARY OPENED SPEECH IN SPANISH LANGUAGE. NON-REGIONALS WERE SUPPORTIVE ON HUMAN RIGHTS AND THOUGHT IT USEFUL FOR U.S. TO RAISE SUBJECT, BUT ONLY UNITED KINGDOM REP ENDORSED U.S. POSITION IN FORMAL STATEMENT. SOME REGIONALS INCLUDING ECUADOR, EL SALVADOR, URUGUAY AND PERU IN FORMAL SPEECHES, CRITICAL OF INJECTION OF POLITICAL CONSIDERATIONS (I.E., HUMAN RIGHTS) IN LOAN CONSIDERATION PROCESS. IN HIS SUMMARY AT CLOSE OF MEETING PRESIDENT OF IDB EXPRESSED SAME VIEW.

NOTE BY OC/T: NOT PASSED ALL LATIN AMERICAN REPUBLIC POSTS.

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4. BOARD OF GOVERNORS ROUTINELY APPROVED RESOLUTIONS ACCEPTING
ANNUAL REPORT AND FINANCIAL STATEMENTS AND ELECTING GUATEMALAN
FINANCE MINISTER LAMPORT RODIL AS CHAIRMAN. ONSUBSTANTIVE
AGENDA ITEMS, RESOLUTIONS ALSO APPROVED INCORPORATING
RECOMMENDATIONS MADE BY COMMITTEE OF BOARD WHICH MET MAY 28
TO CONSIDER CARIBBEAN DIRECTORSHIP AND REVIEW OF OPERATING
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POLICIES. ON DIRECTORSHIP, COMMITTEE WILL STUDY AND REPORT TO THE BOARD OF GOVERNORS NOT LATER THAN NOVEMBER 30 CONCERNING ADEQUATE REPRESENTATION OF CARIBBEAN SUB-GROUP. SECOND AND SEPARATE STUDY THEN WILL BE PREPARED ON IMPLICATIONS OF FIRST STUDY'S RECOMMENDATIONS ON COMPOSITION OF THE BOARD OF GOVERNORS. INCLUSION OF SECOND STUDY ACCOMMODATION TO LATINOS WHO RESISTED US, CANADIAN AND NON-REGIONAL POSITION THAT STUDY WERE LIMITED TO CARIBBEAN DIRECTOR QUESTION.

5. ON REVIEW OF OPERATING POLICIES, BOARD OF GOVERNORS IS TO RECEIVE REPORT NOT LATER THAN SEPTEMBER 30 ON CURRENTLY UNRESOLVED QUESTIONS INCLUDING PROCEDURES FOR USE OF SUPPLIER AND OTHER CREDITS, SCOPE OF BIDDING, AND ALLOCATION OF EXCHANGE RISKS. ALTHOUGH DISSATISFIED WITH REPORT, AND HOPING TO REOPEN AGREED ITEMS, MEXICANS CONCURRED WITH THIS MORE LIMITED APPROACH.

6. PROPOSAL TO INCREASE SALARIES OF EXECUTIVE DIRECTORS SUCCESSFULLY DETERRED BY SECRETARY'S STRONG STATEMENT IN PRELIMINARY SESSION FOR HEADS OF DELEGATIONS AND INTENSIVE LOBBY EFFORT BY MEMBERS US DELEGATION THAT ANY INCREASE AT THIS TIME UNACCEPTABLE. CANADIANS AGREED WITH U.S. POSITION AND MADE STRONG REPRESENTATION TO ORTIZ MENA. ARGENTINE AND GUATEMALAN MINISTERS ALSO SYMPATHETIC. OTHER DELEGATIONS, INCLUDING NON-REGIONALS, APPARENTLY NOT IN AGREEMENT WITH U.S. ON THIS ISSUE.

7. IN SPEECHES OF OTHER GOVERNORS FOLLOWING MAJOR THEMES RAISED: GREATER SUPPORT FOR REGIONAL INTEGRATION (ESPECIALLY CENTRAL AMERICA), CONCERN ABOUT SHORTFALLS IN U.S. CONTRIBUTIONS (BOTH REGIONAL AND NON-REGIONAL); EXPANSION OF EXPORT FINANCING (ESPECIALLY PERU, ARGENTINA, DOMINICAN REPUBLIC, AND BRAZIL); INCREASED ACTIVITY IN PRIVATE SECTOR AND EQUITY FINANCING (GERMANY MADE SPECIFIC OFFER OF RESOURCES FOR EQUITY FUND DIRECTED TO SMALL AND MEDIUM INDUSTRIES); ELIMINATION OF U.S. FSO VETO (PERU); LOOSER BIDDING REQUIREMENTS AND GREATER ACCESS TO FOREIGN EXCHANGE BY "A" COUNTRIES LIMITED OFFICIAL USE

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(MEXICO AND BRAZIL). ORTIZ-MENA'S PROPOSAL FOR SPECIAL GUARANTEE FUND FOR FINANCING PROJECTS IN FUEL AND MINING SECTORS FOUND INTEREST AND SUPPORT. IN ADDITION, UNITED KINGDOM, BELGIUM AND GERMANY, PLUS SOME BORROWING NATIONS, URGED INITIAL CONSIDERATION OF NEXT REPLENISHMENT PARTICULARLY TO ASSURE THAT CONCESSIONAL FLOWS ARE SUSTAINED.

8. REQUESTS WERE MADE FOR REEXAMINATION OF FSO LENDING CRITERIA, AND ADEQUACY OF FLOWS TO POOREST NATIONS AS WELL AS POOREST SECTORS, BOTH BY NON-REGIONAL MEMBERS AS A BASIS FOR IMPROVED SUPPORT FOR IDB WITHIN THEIR COUNTRIES, AND BY

CATEGORY D AND C COUNTRIES INCLUDING ECUADOR TO INCREASE THEIR ACCESS. SOME OF THESE LATTER PRESSED FOR INCREASED CONTRIBUTIONS TO FSO OR ALTERNATIVE SOFT FUNDS FROM MORE DEVELOPED COUNTRIES. SOME GOVERNMENTS MADE THE CASE FOR LENDING TO SECTORS SELECTED BY THE COUNTRIES AS THEIR OWN PRIORITIES, SPECIFICALLY TOURISM IN THE DOMINICAN REPUBLIC AND EL SALVADOR. APPROVAL BY THE CENTRAL BANK GOVERNORS OF THE PROPOSED BANK FOR FINANCING OF INTER-AMERICAN EXPORTS AT RECENT MEETING OF L.A. CENTRAL BANK GOVERNORS WAS REPORTED BY PANAMANIAN GOVERNOR.

9. DURING MEETING, SECRETARY BLUMENTHAL MET WITH CENTRAL AMERICAN FINANCE MINISTERS (AS A GROUP), MEXICAN FINANCE MINISTER MOCTEZUMA, VENEZUELAN FINANCE MINISTER HECTOR HURTADO AND ARGENTINE FINANCE MINISTER MARTINEZ DE HOZ. OTHER MEMBERS OF U.S. DELEGATION MET SEPARATELY WITH REPRESENTATIVES OF ECUADOR, CHILE, PARAGUAY AND PANAMA. CONGRESSMAN BADILLO ATTENDED MEETINGS WITH PARAGUAY AND ARGENTINA TO STRESS CONGRESSIONAL HUMAN RIGHTS CONCERNS. SECRETARY BLUMENTHAL HELD PRESS CONFERENCE ON MAY 31 FOR U.S. AND LATIN AMERICAN PRESS, HIGHLIGHTS OF WHICH WERE QUESTIONS ON COMMODITY AGREEMENTS, ADMINISTRATION POLICY ON LATIN AMERICA, AND HUMAN RIGHTS.

ANDREWS

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Secure: OPEN
Status: NATIVE
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TAGS: OCON, EFIN, PORG, XM, XK, IDB
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